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Mr. Chairman, Mr. Vice Chair, and Committee members, I thank you very much for this opportunity to speak today, and am quite appreciative in that, well, we meet again. My name is Ken Droz, and I operate a marketing and consulting firm, originally to cater to the film industry. I opened it after working more than two years as the communications manager for the Michigan Film Office. Prior to that I worked over 20 years in the film industry, first in the Detroit area, running marketing operations in Michigan for the major studios, and then in Los Angeles with the Writers Guild Foundation and independent filmmakers.

I do not take lightly this opportunity, and while quite passionate about the film industry, I do not want to be a gadfly to the committee, or to the legislative process. It is just that I, and countless others have worked extremely hard to help this industry take root in my home state, and would like deeply to assure its continuing potential to develop a facet to the state that is not only bright, glitzy and makes us feel good, but with a substantial economic contribution as well.

I try not to be a gadfly, as the motivation for my activity here is that I am a collectivist. I understand the need for fiscal responsibility, and applaud the committee, and the rest of the legislature in tackling the monumental task of keeping Michigan's finances organized. I also understand, like most small businesses do, that it takes an effort and a little time to reach the goals you are undertaking.

Given the recent Senate Bill 383 now in your hands, there are certain components that I suggest strongly can undo much of the progress we have made in the last three years. For an industry filled with producers who depend on various sources of financing, there is language in this bill that announces to the entire industry that the Michigan film incentive program is fully inconsistent. Language, which states "UP TO" 30%, or 40%, that gives the Mich. Film Office and MEDC leeway to negotiate incentive credit amounts individually, rather than a singular structure from which producers can measure their costs.

What it all boils down to in my mind is a fundamental question we need to ask ourselves. Do we want Michigan to stay a leader in this industry on which we have made such a fast and enormous impact. Will the three years of the program thus far, and the \$100 million already spent in credits be basically poured down the drain as a wasted investment?

If the state intentionally creates a totally erratic incentive program, which may have one incentive rate for one production, and another rate for other productions, the results will immediately be a vastly compromised program in the eyes of Hollywood.

This book here is a guide produced annually, listing every incentives program in the country. You will find every state has a singular structure, and none that facilitates variables.

Proponents of this clause will advocate it because the MEDC and MFO have been what they consider successful already, in getting productions to compromise and reduce their original applications, in order to maximize projects allowable under the \$25 million cap currently administered.

However, if you look at those actual projects you will find they are all Michigan-based, Michigan financed, or take place in Michigan, who did not want to go to another state either out of convenience, loyalty, or in one or two cases, millions of dollars in expenditures already made prior to their approval. Bottom line folks, the state had them all over a barrel.

A tricky illusion needs to be guarded against, in that while yes, Michigan will still get some productions in the future to accept these parameters, but we need to look at not the ones coming, but the ones who are not coming. The bigger productions, with more studio backing and likely distribution, that have a bigger chance of being seen by audiences worldwide, and in home video centers.

Michigan needs these productions for many reasons: These are the projects more likely to encourage tourism, since they're reaching wider audiences. They are also the ones who will help nurture our burgeoning filmmakers...the ones who are now getting approvals, having secured Michigan financing. If not for the 145 projects made the first three years, it is doubtful the projects that originated here would ever have gotten the traction they did. We need films like GRAN TORINO, because those are the films that will be a hit. Those are what make cultural and international impact. While one person was flip about the chances of tourism opportunities of Gran Torino, because it didn't showcase Detroit's best areas, the actual reality is, the film did spark tourism, as people would drive every day by the house on Rhode Island St. in Highland Park in which Clint Eastwood's character resided.

The young and talented director of AWOL may not be as prepared as he would have been had he not been working on sets with major Hollywood talent like director Doug Liman or Drew Barrymore. Those projects are the types that are likely to not come to Michigan if they cannot get a consistent statement from the state of what the incentives actually are.

The state of Michigan has made a large investment thus far, and has been extremely successful in taking us to the top of a new industry. This is not just hyperbole, but

fact. It would not take much to compromise that position, voluntarily, to relegate us to an also-ran, and projecting total uncertainty, as this negotiating language does, will end up having that precise result.

I thank you again, and would be happy to answer any questions you may have.